

State of Delaware - FY19 Budget

August 2018

WillisTowersWatson 

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State of Delaware
 FY19 Budget¹
 August 2018

Estimated FY 2019 as of August 2018 ¹		
Balance Forward²	\$ 151,837,806	
Operating Revenues		
Premium Contributions		
Highmark	\$ 621,267,342	68.36%
Aetna	\$ 195,784,909	21.54%
Total Premium Contributions	\$ 817,052,251	
Other Revenues		
Medicare Retiree Prescription Subsidy Program (EGWP) ³	\$ 3,627,178	0.40%
Federal Reinsurance ⁴	\$ 13,652,488	1.50%
Prescription Drug Rebates - Commercial	\$ 34,473,123	3.79%
Prescription Drug Rebates - EGWP	\$ 22,377,673	2.46%
Prescription True Up/Yr End Recon Pymts	\$ -	0.00%
Medicare Part D - Coverage Gap Discount ⁴	\$ 15,492,454	1.70%
Medicare Part D Subsidy	\$ -	0.00%
Early Retiree Reinsurance Program	\$ -	0.00%
RDS Subsidy Transfer to OPEB Trust	\$ -	0.00%
Participating Group Fees ⁵	\$ 2,143,764	0.24%
Other Revenues	\$ -	0.00%
Total Other Revenues	\$ 91,766,680	
Total Operating Revenues	\$ 908,818,931	
Operating Expenses		
Claims		
Highmark	\$ 466,602,330	49.85%
Aetna	\$ 146,968,978	15.70%
Express Scripts (non-Plan D)	\$ 155,986,984	16.67%
Express Scripts (Plan D)	\$ 127,872,412	13.66%
Total Claims	\$ 897,430,704	
Other Expenses		
Program Fees and Costs (Vendor ASO Fees)	\$ 33,917,268	3.62%
Office Expenses	\$ 2,564,796	0.27%
Employee Assistance	\$ 365,400	0.04%
Data Warehouse	\$ 552,600	0.06%
Consultant Fees	\$ 828,000	0.09%
COBRA Fees	\$ 53,088	0.01%
ACA Fees	\$ 287,811	0.03%
Total Other Expenses	\$ 38,568,963	
Total Operating Expenses	\$ 935,999,667	
Net Income	\$ (27,180,736)	
Fund Equity Balance	\$ 124,657,070	
Claim Liability	\$ 58,900,000	<i>Target</i> 58,900,000
Minimum Reserve	\$ 24,000,000	\$ 24,000,000
WTW Budget⁶	\$ 844,232,987	
Average Members	127,350	

¹ Based on claims experience for the period 7/1/2016 - 6/30/2018 (weighted 35% earlier / 65% later); headcounts reflect FY18 open enrollment results as of July 2018; 6.5% med / 10% Rx trend for Active/Pre65 and 3% med / 10% Rx trend for Medicare retirees; EGWP revenues and prescription drug rebates based on the period revenues are attributable.

² FY19 Balance Forward reflects FY18 year-end balance as of July 2018.

³ Based on actual payments in 2018; 2019 direct subsidy PMPM payment provided by ESI.

⁴ Based on actual payments in 2018; CY2019 coverage gap manufacturer discount and federal reinsurance PMPM payments provided by ESI.

⁵ Participating Group Fees shown for FY19 are estimated.

⁶ WTW Budget represents the FY19 projected expenses based on assumptions approved by the SEBC, updated with claims data through June 2018 and Annual Enrollment elections. WTW Budget equals Total Operating Expenses less Other Revenues that WTW values as claim offsets (including EGWP and Rx rebate revenues and participating group fees).

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Key Assumptions

- FY19 recommended budget is based on the most recent 24-months of financial experience through June 2018, weighted 35% earlier period / 65% recent period and enrollment as of July 2018
- FY19 recommended budget includes savings attributable to vendor value-based care models (Aetna AIM and Highmark True Performance), enhanced Highmark clinical management program (CCMU), and incremental savings for the new ESI contracts
- FY19 recommended budget includes the cost impact of no cost statin coverage effective 7/1/2018 (estimated at up to \$286k annual cost per ESI) and no cost preventive 3D mammography (estimated at up to \$837k annual cost), savings from approved centers of excellence and site-of-care steerage programs effective 7/1/2018 (estimated at \$2.0m annual savings per Aetna and Highmark), and passed legislation (HB 386 estimated at \$100k FY19 cost; SB 227 estimated at \$1.05M FY19 cost; SB 225 estimated at \$87.5k FY19 cost)
- FY19 recommended budget includes \$2.1M in participating group fees as other revenue item
- FY19 recommended budget includes Aetna, Highmark, and Express Scripts contracted administrative fees for FY19
- FY19 recommended budget includes office and operational expenses based on the June 2018 Fund Equity Report provided by the State, and assumed to remain at the same level in future years
- Projections assume the following trend factors:

Trend Factors	Active/Pre65	Medicare Retiree
Medical Claims	6.5%	3.0%
Pharmacy Claims	10.0%	10.0%

This version of the FY19 Budget reflects the following changes from the version presented during the July 23 SEBC meeting:

- Updated claims experience through June 2018
- Updated 2019 EGWP funding projections as provided by ESI
- Additional cost impact of passed legislation (HB 386 estimated at \$100k FY19 cost; SB 227 estimated at \$1.05M FY19 cost; SB 225 estimated at \$87.5k FY19 cost as provided by DHR)
- Participating group fees now included in WTW Budget (\$2.1m reduction to budget)